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DIRECTORATE OF  
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50

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25X1

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SECRET

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# *Central Intelligence Bulletin*

## CONTENTS

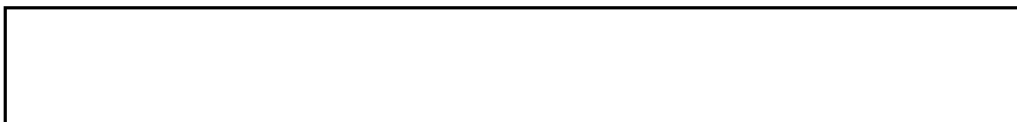
Cambodia: The Communists are increasing the pressure southwest of Phnom Penh. (Page 1)

Jordan: The new coexistence agreement reached between the government and the fedayeen represents some gains for King Husayn. (Page 3)

Ecuador: The government has effected a partial de facto devaluation of the currency. (Page 5)

USSR: Supreme Soviet meeting (Page 6)

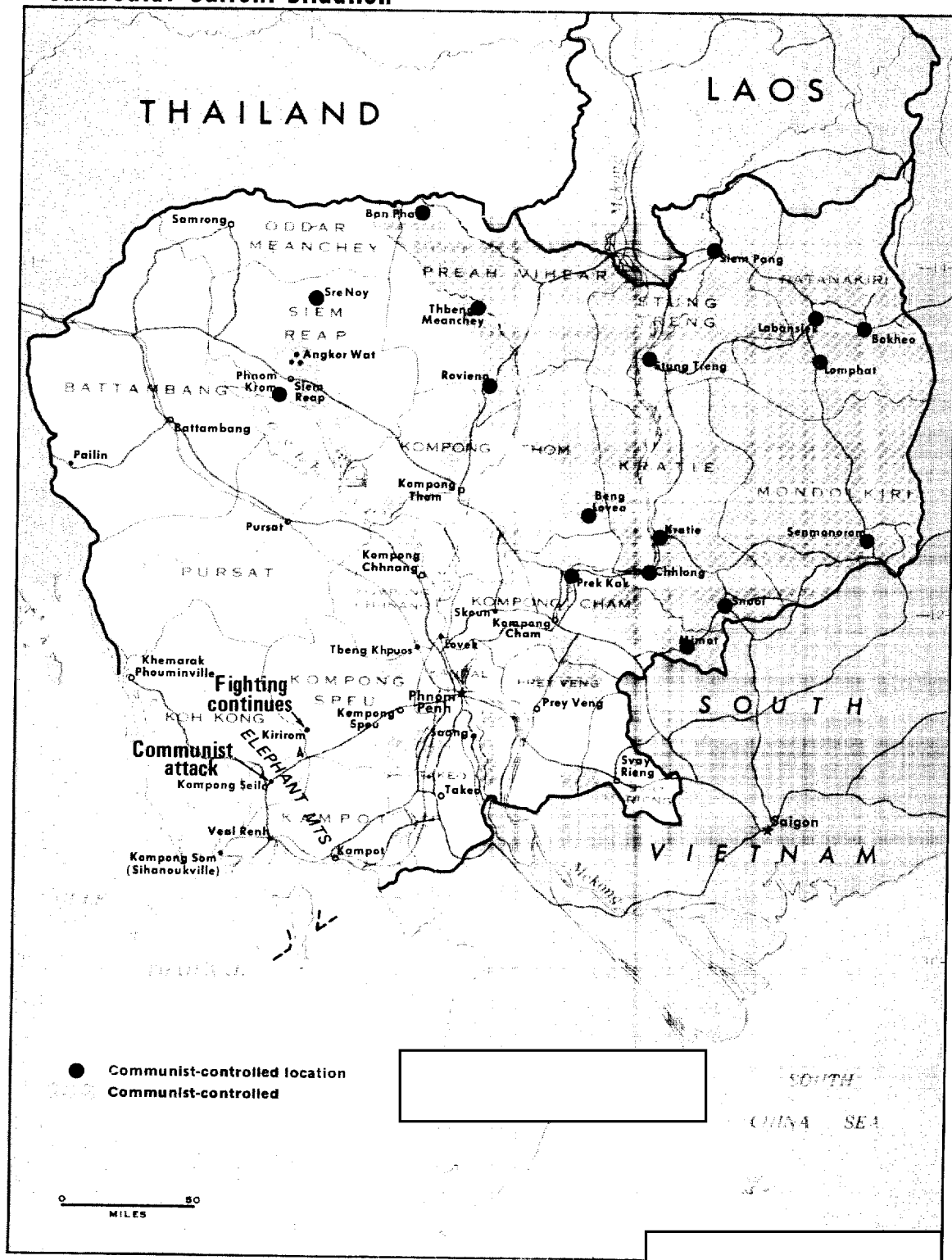
Argentina: Pressures for liberalization (Page 6)



25X1

SECRET

## **Cambodia: Current Situation**



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25X1

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SECRET

Cambodia: The Communists are increasing the pressure southwest of Phnom Penh.

At last report fighting was continuing at the town of Kirirom, which was overrun by Communist forces on 11 July. Government reinforcements are en route overland from Kompong Speu city, and Cambodian T-28 aircraft have been flying continuous sorties in support of the government battalion holding on in the center of the town. Few details of the fighting are available, but it seems likely that some of the attackers were Cambodian Communists, who have been striving to establish base areas in the Elephant Mountains.

The action at Kirirom may be related to an upsurge of Communist activity in the southwest over the past two weeks. The town of Kompong Seila, which is located farther south on Route 4 was attacked last week, and there have been several reports of Communist troop movements in the area.

A battalion of troops has been sent in by helicopter to reinforce Kompong Thom, but a New York Times correspondent, who accompanied the troops, reported that many of them were very young and that their weapons were old and in bad repair. He also said that although the city has been largely destroyed, the morale of Cambodian commanders there is still high. Earlier military messages had claimed that troop morale was near "the breaking point."

Captured documents reveal that the Viet Cong 271st Regiment has formed a new battalion using Cambodian recruits and large numbers of Vietnamese regulars. The new battalion has a reported strength of 515 and was training in mid-June. In addition to indicating that the Communists are having some success in recruiting Cambodians, the documents also suggest that the Communists are forming the kind of "mixed" North Vietnamese - indigenous-force battalions that they have used with some success for many years in Laos.

(continued)

13 Jul 70

*Central Intelligence Bulletin*

1

SECRET

25X1

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SECRET

Jordan: The new coexistence agreement reached between the government and the fedayeen represents some gains for King Husayn, although implementation of the accord remains doubtful.

The agreement announced last Friday contains no reference to the withdrawal of military forces from in and around Jordanian cities or to the disbanding of such government units as the "special forces"--conditions earlier demanded by the fedayeen. The published formula calls on the government in general terms to support the commando movement, to repeal special measures taken during the crisis, and to see that no official body acts against the interests of the fedayeen.

The formula requires the fedayeen to adhere to the disciplinary regulations that they had imposed on themselves during an earlier crisis in February. It specifically bans the carrying of arms in public places and the use of unlicensed vehicles. Military training with live ammunition and the storing of heavy arms, ammunition, or explosives are forbidden in populated areas. The formula also forbids the establishment of fedayeen bases in towns; their location would be determined by a joint committee of army and fedayeen military leaders. The fedayeen popular resistance forces that took a leading part in last month's fighting with the army were exempted from the ban on bases in towns in what appeared to be the only real gain by the fedayeen under the agreement.

It is doubtful that the more radical fedayeen organizations, especially the Popular Front for the Liberation of Palestine, will honor the agreement. One reason is that the "central committee" of the Palestine Liberation Organization, controlled by more moderate fedayeen elements, is designated as the one and only authority for all fedayeen organizations and activities. The endorsement of the agreement by the members of the Arab four-nation

13 Jul 70

Central Intelligence Bulletin

3

SECRET

SECRET

mediating committee, however, may result in at least temporary lowering of fedayeen visibility in the cities and some token evacuation of fedayeen establishments from Amman.



25X1

13 Jul 70

*Central Intelligence Bulletin*

4

SECRET



SECRET

Ecuador: The government has taken an important step toward improving its balance of payments by effecting a partial de facto devaluation of the currency.

The purchase of foreign exchange for non-essential and luxury imports as well as the sale of foreign exchange earned from some exports will now be made at the free-market rate, which is significantly higher than the official rate. The government will capture part of the windfall profits accruing to exporters by levying new export taxes. It is trying to limit the adverse impact of the devaluation on domestic prices by reducing some import surcharges.

The action is a compromise following President Velasco's refusal, for political reasons, to allow the full devaluation and unification of exchange rates recommended by the International Monetary Fund.

[REDACTED]

25X1

13 Jul 70

Central Intelligence Bulletin

5

SECRET

NOTES

USSR: The Supreme Soviet is scheduled to convene in Moscow tomorrow. This will be the first meeting since the elections on 14 June, and a major agenda item will be the formal reconstitution of the government. Some changes in the Council of Ministers are therefore likely. The party's central committee reportedly will meet today to preview the decisions of the Supreme Soviet. [REDACTED]

25X1

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Argentina: Pressures on President Levingston to announce a return to democratic government are expected to increase. Although labor, Peronists, and several leading newspapers apparently are willing to give the new administration a reasonable period of time in which to formulate a plan for a restoration of political activity, Argentine politicians may not be as patient. They were disappointed, for example, that the President did not give any concrete details of his plans in his speech to the armed forces on 7 July. Levingston's equivocation probably reflects his failure so far to develop a consensus among his key advisers and the military on this issue. [REDACTED]

25X1

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25X1

13 Jul 70

Central Intelligence Bulletin

6

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